

New Jersey State Employees Deferred Compensation Plan

State of New Jersey Employees

WHAT IS DEFERRED COMPENSATION?

The New Jersey State Employees Deferred Compensation Plan (NJSEDCP) provides you, as an eligible state employee, an opportunity to voluntarily shelter a portion of your wages from federal income taxes while saving for retirement to supplement your social security and pension benefits. Under the Plan, federal income tax is not due on deferred amounts or accumulated earnings until you receive a distribution (payment) from your account. Presumably, distribution is at retirement when your tax rate is expected to be lower.

ARE YOU ELIGIBLE TO ENROLL IN THE PLAN?

To enroll in the NJSEDCP, you must be employed by the State of New Jersey or an eligible agency, authority, commission, or instrumentality of state government. In addition, you must be presently enrolled in a New Jersey state-administered retirement system OR be a permanent employee OR have at least twelve consecutive months of employment OR be employed through a governor's appointment.

If you are employed through a county, township, or municipality and not paid directly by the State of New Jersey or one of its agencies, you are NOT eligible for the NJSEDCP.

HOW AND WHERE DO YOU ENROLL?

You can obtain an enrollment package from your Human Resource or Personnel Representative or directly from the Deferred Compensation office. Upon enrollment, you agree that your deferrals and any earnings become and remain state property, with the understanding that all amounts due will be held in trust for you and your beneficiaries and will be paid to you following severance of employment. You may defer between 1% and 100% of your salary (minus your tax-sheltered pension or other voluntary

tax-sheltered contributions) with an annual dollar maximum in 2003 of \$12,000 (\$14,000 for individuals age 50 and older). You then choose how you want to invest among the four investment funds: Bond, Equity, Money Market, or Small Cap Equity. Your account balances may be transferred among the four funds in multiples of 1% a maximum of one-time per calendar month.

WHO ADMINISTERS THE PLAN?

The NJSEDCP, governed by the guidelines of Internal Revenue Code Section 457 and the laws of the State of New Jersey, is administered by the State of New Jersey. Individual participant's accounts are maintained by the Administrator and statements of account are furnished quarterly. All plan expenses are borne by the participants and notification of administrative fees is provided at enrollment. The Deferred Compensation Board (hereafter referred to as "the Board") is the final authority on all matters concerning the operation of the Plan and by law, the State Investment Council has the right to supervise certain aspects of the Plan including the investment of assets.

WHEN AND HOW DO YOU GET YOUR MONEY?

Your Deferred Compensation Plan account may be distributed following severance of employment due to termination, retirement, or disability. Distribution is also permitted in the case of an unforeseeable financial hardship, as defined under Section 457 of the Internal Revenue Code, following approval by the Board. In-service distributions are permitted on smaller, inactive accounts.

If at the time of distribution as a result of severance of employment, your account balance is less than \$5,000, you must take a lump-sum payment. If your account balance is \$5,000 or more, you may elect: (1) a one-time lump-sum payment; (2) a portion of

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your account in a specific dollar amount; or (3) periodic installment payments. Upon severance of employment, you may begin your account distribution as soon as the following month or any future date, but not later than March of the year following your attainment of age 70 1/2, or the year of employment termination whichever is later. Your account will be valued at the close of the month prior to your election for payment. A distribution request form must be completed and returned to the Plan office.

WHAT ARE THE TAX CONSEQUENCES?

The New Jersey State Employees Deferred Compensation Plan is an eligible state deferred compensation plan under Section 457 of the Internal Revenue Code. Distributions from the Plan may be eligible for rollover (see Fact Sheet #59, *The Taxability and Mandatory Withholding of Income Tax From Your Deferred Compensation Distribution*), however distributions do not qualify for special 5-year or 10-year averaging. Distributions are defined as pension payments and are subject to federal income tax unless rolled over to another retirement plan.

WHAT HAPPENS TO YOUR MONEY IF YOU DIE BEFORE DISTRIBUTION IS COMPLETE?

At the time of your death, your executor, beneficiary, or a family member should contact the Deferred Compensation Plan office. Your beneficiary will be notified of the options for account distribution. Your beneficiary will have the same distribution options available to members who terminate employment. However, the maximum period for periodic installment payments to non-spousal beneficiaries can not exceed 5 years. Beneficiaries receiving distributions are subject to the same tax consequences as the original member.

QUESTIONS?

Contact the Deferred Compensation Plan of the Division of Pensions and Benefits in writing or call (609) 292-3605. The Deferred Compensation Plan office will answer your questions and forward account information and any necessary forms.

This fact sheet has been produced and distributed by:

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